

## **V. SALES AND USE TAXES**

### **Aircraft Sales and Use Tax**

#### **General Liability**

A tax is imposed on the retail sale of every aircraft sold in Virginia or upon the use in Virginia of any aircraft.

#### **Exemptions**

The Virginia Aircraft Sales and Use Tax Act does not apply to any aircraft sold or used by:

1. the United States or any of its governmental agencies;
2. the state of Virginia or any of its political subdivisions;
3. any airline operating in intrastate, interstate or foreign commerce as a common carrier, providing scheduled air service pursuant to published flight schedules or mail contracts with the U.S. Postal Service
4. nonprofit charitable organization - exempt from taxation under §501(c)(3) of the Internal Revenue Code organized exclusively to provide long distance, advanced life support, air ambulance services for indigent medical patients; or
5. nonprofit organization - organized primarily for distributing food, clothing, medicines, and other necessities of life to, and providing shelter for, needy persons in the United States and throughout the world.

#### **Filing Procedure**

*Filing Return and Licensing:* The purchaser of the aircraft must file a return with the Virginia Department of Taxation and pay the tax prior to filing for a license with the Department of Aviation. Upon receipt of payment, the Virginia Department of Taxation will certify payment to the Department of Aviation. Checks should be made payable to the Virginia Department of Taxation. The purchaser of the aircraft must file for a license with the Department of Aviation.

*Dealer Exclusion and Monthly Returns:* Dealers may choose to exclude purchases of one or more aircraft from the sales tax, provided they file a Business Registration Application, Form R-1, with the Virginia Department of Taxation. P.O. Box 1114, Richmond, VA 23218-1114 or register online using iReg. No application fee is required.

Dealers whose applications are approved will be required to pay the tax rate of 2 percent on gross receipts from the lease, charter, or other use of aircraft. Once a dealer makes the election, he or she must file a return and pay the tax monthly based on the gross receipts arising from all taxable transactions during the preceding month. Monthly returns are due and the tax payable to the Virginia Department of Taxation on or before the 20<sup>th</sup> of each month for the preceding month.

#### **Tax Rate**

The tax rate is 2 percent of the sales price. If the aircraft is licensed in this state six months or more after its acquisition from outside this state, the tax is 2 percent of the aircraft's current market value or purchase price, whichever is lower.

#### **Penalty and Interest**

The penalty for failure to file and pay on time is 6 percent of the tax due for each month (or portion of a month), not to exceed 30 percent. Interest will be added at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, from the date that the tax was due until paid.

**Disposition**

All revenue is credited to a special fund to be used for the administration of the aviation laws and for the construction, maintenance and improvement of aviation in the interest of operators and the public.

**Register Online**     -     New Businesses can register for Sales and Use Tax online at [www.tax.virginia.gov/iReg](http://www.tax.virginia.gov/iReg)

**Download Forms Online at [www.tax.virginia.gov](http://www.tax.virginia.gov)**

AST-2 - Dealer's Aircraft Sales and Use Tax Return (a return should be filed even if no tax is due)

AST-3 - Virginia Aircraft Sales and Use Tax Return

R-1     - Business Registration Application

**For Assistance Contact:**

Virginia Department of Taxation

P.O. Box 715

Richmond, VA 23218-0715

804-786-2450

**For Forms Contact:**

Download at: [www.tax.virginia.gov](http://www.tax.virginia.gov)

Fax: 804- 236-2779

Telephone: 804-236-2760, 804-236-2761, or 804-236-2762

Virginia Department of Taxation

Forms Request Unit

P.O. Box 1317

Richmond, VA 23218-1317

## **Motor Vehicle Fuel Sales Tax**

### **General Liability**

The motor vehicle fuel sales tax is imposed on the retail sale of fuels sold within every county or city that is a member of any transportation district (1) in which a rapid heavy rail and bus commuter mass transportation system is owned, operated or controlled by an agency or a commission as defined in Section 15.1-1344 of the Code of Virginia or (2) which is subject to Section 15.1-1357 (b) (6) of the Code of Virginia and which is contiguous to the Northern Virginia Transportation District.

Fuels subject to the motor vehicle fuel sales tax are those fuels, except fuel for aircraft, subject to tax under Chapter 21 of Title 58.1 of the Code of Virginia (the Motor Fuel and Special Fuel taxes). Every person, whether located inside or outside the transportation district, who sells motor vehicle fuel at retail where the fuel is delivered into or within the transportation district, or who purchases motor vehicle fuel under a certificate of exemption and later makes a taxable use of any portion of the fuel taken from a storage facility located within the transportation district, is a dealer liable for collecting and remitting the tax. The tax is included in the unit measure of fuel when retail sales are made through a pump, determined from a special bracket system set up for the motor vehicle fuel sales tax. The tax on retail sales of fuels that are not made through a pump is computed on the sales or cost price of the fuel.

### **Filing Procedure**

*Registration:* Dealers must file a Business Registration Application, Form R-1, with the Virginia Department of Taxation, P.O. Box 1114, Richmond, VA 23218-1114 or register online at [www.tax.virginia.gov/iFile](http://www.tax.virginia.gov/iFile) using iReg for Businesses. No application fee is required.

*Monthly Returns:* On or before the 20<sup>th</sup> of each month, dealers are required to file a return showing the gross sales, gross proceeds, or cost price from all taxable sales of fuels made during the preceding calendar month. The dealer must pay the amount of tax due at the time the return is filed.

The Virginia Department of Taxation furnishes the return that the dealer files.

*Where to File:* Returns are filed with the Virginia Department of Taxation, P.O. Box 26626, Richmond, VA 23261-6626. Checks are made payable to the Virginia Department of Taxation.

### **Tax Rate**

The tax rate is 2 percent.

### **Penalties and Interest**

A return must be filed for each required period even if there is no tax due. If a dealer fails to file or pay the full amount of the tax when due, a penalty of 6 percent of the tax due will be added to the tax due for each month or any part of a month that the return is not filed or the tax due is not paid. The maximum penalty is 30 percent; the minimum penalty is \$10.

Interest at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, is added to the tax on late returns. The variable dealer's discount allowed on timely filed returns is disallowed when a return is filed or the tax is paid after the due date. The date postmarked on the envelope is used as the basis for imposing penalty and interest.

### **Disposition**

Revenue is deposited in a special fund account for monthly distribution to the applicable transportation district commission.

**Register Online** - Businesses can register for Motor Vehicle Fuel sales tax online at [www.tax.virginia.gov/iReg](http://www.tax.virginia.gov/iReg)

**Download Forms Online at [www.tax.virginia.gov](http://www.tax.virginia.gov)**

FT-102 - Motor Vehicle Fuel Sales Tax Return  
FT-106 - Virginia Motor Vehicle Fuel Sales Tax Bracket System  
FT-200 - Certificate of Exemption  
R-1 - Business Registration Application  
ST-4 - Certificate of Registration  
ST-10 though ST20A - Exemption Certificates (see forms used for Retail Sales Tax on in Section VIII.)

**For Assistance Contact:**

Virginia Department of Taxation  
P.O. Box 1115  
Richmond, VA 23218-1115  
804-367-8037

**For Forms:**

Download at: [www.tax.virginia.gov](http://www.tax.virginia.gov)  
Fax: 804-236-2779  
Telephone: 804-236-2760, 804-236-2761, or 804-236-2762  
Virginia Department of Taxation  
Forms Request Unit  
P.O. Box 1317  
Richmond, VA 23218-1317

## **Retail Sales Tax**

### **General Liability**

For the privilege of making retail sales in Virginia, a seller is subject to a sales tax imposed on gross receipts from retail sales of tangible personal property. The seller collects the tax from the customer by separately stating the amount of the tax and adding it to the sales price or charge. Retail sales are defined as sales to a consumer or to any person for any purpose other than for resale. The tax also applies to the furnishing of transient accommodations and the lease or rental of tangible personal property as part of an established business. The tax on accommodations, leases and rentals is based upon the lessor's gross proceeds from leases and rentals and is collected by the lessor by separately stating the amount of tax and adding it to the charge made to the lessee.

### **Filing Procedure**

*Registration:* Every individual, partnership, corporation, etc., desiring to engage in business as a dealer in Virginia must file a Business Registration Application, Form R-1, with the Virginia Department of Taxation or register online at [www.tax.virginia.gov](http://www.tax.virginia.gov) using iReg for Businesses. Form R-1 can be downloaded from [www.tax.virginia.gov](http://www.tax.virginia.gov), and mailed to P.O. Box 1114, Richmond, VA 23218-1114. No application fee is required.

*Monthly Returns:* On or before the 20<sup>th</sup> of each month, dealers are required to file on a form furnished by the Virginia Department of Taxation a return showing the gross sales, gross proceeds, or cost price, as the case may be, arising from all taxable transactions during the preceding month. At the time of filing the return, the dealer must pay the amount of tax due; either with the return or by EFT.

*Quarterly Returns:* The Department determines annually those dealers that should be placed on a quarterly filing basis. Quarterly returns must be filed on or before the 20<sup>th</sup> of the month following the close of each quarterly period. Quarterly periods end March 31, June 30, September 30 and December 31. At the time of filing the return, the dealer must pay the amount of tax due, either with the return or by EFT.

*Where to File:* Returns can be filed online using VATAX Online for Businesses at [www.tax.virginia.gov](http://www.tax.virginia.gov) or send to the Virginia Department of Taxation, P.O. Box 26626, Richmond, VA 23261-6626. Checks are made payable to the Virginia Department of Taxation.

### **Electronic Funds Transfer (EFT)**

Electronic Funds Transfer (EFT) involves the transfer of funds from your bank account to the State's bank account. You are required by law to make payments by EFT if your monthly tax liability for this tax exceeds \$20,000.

The Department of Taxation also encourages other businesses that do not have an average monthly liability of \$20,000 to voluntarily transmit their tax return payments by EFT. Payments are submitted directly to the Tax Department's bank from your business bank account. EFT not only saves check writing and mailing costs, but also ensures that your payment is made without the worry of a check being lost in the mail.

For more information on EFT or for a copy of our EFT Guide, visit our website at [www.tax.virginia.gov](http://www.tax.virginia.gov) or contact Customer Services by phone at 804-367-8037, or write to the Virginia Department of Taxation, Customer Service Section, P.O. Box 1115, Richmond, VA 23218-1115.

## **Tax Rates**

Generally, the tax rate is 5 percent (4 percent state tax and 1 percent local tax). Beginning July 1, 1998, nonprescription drugs and proprietary medicines were exempted from state sales and use tax. Beginning January 1, 2000, the Food Tax Reduction Program reduced the state sales and use tax rate on food purchased for human consumption from 3.5% to 3%. This rate reduction, however, does not affect the local tax rate on such food products.

## **Penalties and Interest**

A return must be filed for each required period even if there is no tax due. If a dealer fails to file or pay the full amount of the tax when due, a penalty of 6 percent of the tax due will be added to the tax for each month or any part of a month that the return is not filed or the tax is not paid. The maximum penalty is 30 percent; the minimum penalty is \$10.

Interest at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, will be added to the tax on late returns. The variable dealer's discount allowed on timely-filed returns is disallowed on any return filed or paid after the due date. The U.S. postmark date on the envelope is used as the basis for imposing penalty and interest.

## **Disposition**

Revenue is deposited to the state's general fund. Two-sevenths of the 3.5 percent state tax is returned to the localities of Virginia for education. The amount of state tax each locality receives is based upon the locality's school-age population. The Commonwealth Transportation Board allocates one-seventh of the state tax to the Transportation Trust Fund for use. The balance of the state tax remains in the general fund. The

1 percent local tax is distributed to the locality in which the sale was made for general operating purposes.

**Register Online** - New Businesses can register for Use Tax online at [www.tax.virginia.gov /iReg](http://www.tax.virginia.gov/iReg)

**File and Pay Online** - Businesses can file and pay Use Taxes online at [www.tax.virginia.gov /iFile](http://www.tax.virginia.gov/iFile)

## **Download Forms Online: [www.va.tax.gov](http://www.va.tax.gov)**

- R-1 - Business Registration Application
- ST-4 - Certificate of Registration
- ST-9 - Dealer's Retail Sales and Use Tax Return
- ST-21 - Direct Pay Permit
- EFT Guide - Electronic Funds Transfer Guide - Guideline, Instructions, Authorization Agreement and Change Notification Form

## **Exemption Certificates**

- ST-10 - Dealers who purchase tangible personal property for resale, lease or rental
- ST-10A - Catalogs and other printed materials distributed outside Virginia; property delivered to factor or agent for foreign export; advertising for placement in the media
- ST-10B - Special motor vehicle equipment for handicapped persons
- ST-11 - Manufacturing, processing, refining, converting, mining, basic research and research and development in experimental or laboratory sense, or certified pollution control equipment

- ST-11A - Construction contractors installing industrial manufacturing machinery; certified pollution control equipment or real property construction materials purchased in Virginia for installation in a state or foreign country in which such materials could be purchased free from a sales or use tax; and tangible property, used for agricultural production for market, which becomes part of the realty owned by farmers
- ST-11B - Persons making feed for sale or resale
- ST-12 - Commonwealth of Virginia, political subdivisions of the Commonwealth of Virginia, or the United States
- ST-13 - Medical-Related Exemptions
- ST-13A - Non-profit churches
- ST-14 - Out-of-state dealer who purchases tangible personal property in Virginia for immediate transportation out of the Commonwealth of Virginia in his own vehicle for resale outside this state
- ST-14A - Out-of-state livestock brokers or dealers
- ST-15 - Fuel for domestic consumption
- ST-16 - Watermen who extract fish, bivalves, or crustaceans from waters for commercial purposes
- ST-17 - Harvesters of forest products
- ST-18 - Farmers
- ST-19 - Shipping lines and companies building or repairing ships for use in interstate or foreign commerce
- ST-20 - Public service corporations, commercial radio, and television companies, cable Television systems, taxicab operators and certain airlines
- ST-20A - Production companies, program producers, radio, television, and cable TV companies, and other entities engaged in the production and creation of exempt audiovisual works and the licensing, distributing, and broadcasting of the same

**For Assistance Contact:**

Virginia Department of Taxation  
P. O. Box 1115  
Richmond, VA 23218-1115  
804-367-8037

**For Forms:**

Download at: [www.tax.virginia.gov](http://www.tax.virginia.gov)  
Fax: 804-236-2603  
Telephone: 804-236-2760, 804-236-2761, or 804-236-2762  
Virginia Department of Taxation  
Forms Request Unit  
P.O. Box 1317  
Richmond, VA 23218-1317

**For Information on Electronic Funds Transfer (EFT) Payments Contact:**

Website: [www.tax.virginia.gov](http://www.tax.virginia.gov)  
FAX: 804-367-2603  
Virginia Department of Taxation  
EFT Registration  
P.O. Box 1115  
Richmond, VA 23218-1115

## **Use Tax**

### **General Liability**

The use tax applies to tangible personal property used, consumed or stored in Virginia, but purchased outside the state that would have been subject to sales tax if purchased in this state. The use tax also applies to purchases, leases or rentals made in Virginia if the sales tax was not paid at the time of purchase, lease, or rental.

### **Filing Procedure**

#### **Out-of-State Dealers:**

*Registration:* Every individual partnership, corporation, etc., outside Virginia who engages in business in this state as a dealer is required to register, collect and pay the tax on all taxable tangible personal property sold or delivered for storage, use or consumption in this state. Those vendors who are not required to register are encouraged to do so as a service to their Virginia customers.

**A Business can register online at** [www.tax.virginia.gov/iReg](http://www.tax.virginia.gov/iReg) or download a Registration Application, Form R-1, and file it with the Virginia Department of Taxation, P.O. Box 1114, Richmond, VA 23218-1114. No application fee is required.

*Filing of Returns:* On or before the 20<sup>th</sup> of the month, out-of-state dealers are required to file a return online at [www.tax.virginia.gov](http://www.tax.virginia.gov) using VATAX Online for Businesses, or complete and mail Form ST-8, furnished by the Virginia Department of Taxation showing gross sales or gross proceeds arising from all taxable transactions during the preceding month. At the time of filing the return, the dealer must pay the amount of tax due, either with the return or by EFT.

The Department determines annually those dealers who should file on a quarterly basis. Quarterly returns must be filed on or before the 20<sup>th</sup> of the month following the close of each quarterly period. Quarterly periods end March 31, June 30, September 30 and December 31. At the time of filing the return, the dealer must pay the amount of tax due, either with the return or by EFT.

### **Electronic Funds Transfer (EFT)**

Electronic Funds Transfer (EFT) involves the transfer of funds from your bank account to the State's bank account. You are required by law to make payments by EFT if your monthly tax liability for this tax exceeds \$20,000

The Department of Taxation also encourages other businesses that do not have an average monthly liability of \$20,000 to voluntarily transmit their tax return payments by EFT. Payments are submitted directly to the Tax Department's bank from your business bank account. EFT not only saves check writing and mailing costs, but also ensures that your payment is made without the worry of a check being lost in the mail.

For more information on EFT, go to our website or contact Customer Services by phone at 804-367-8037 or write to the Virginia Department of Taxation, Customer Service Section, P.O. Box 1115, Richmond, VA 23218-1115. For a copy of the EFT guide, go to our website, telephone in your request at 804-367-2760, 804-236-2761, or 804-236-2762.



## **Direct Payment Permit Holder**

*Registration:* Upon written application to the Virginia Department of Taxation, a Direct Payment Permit may be issued to a manufacturer or mine operator when it is impossible to determine at the time of purchase the manner in which the tangible personal property will be used by such manufacturer or mine operator or Public Service Corporation.

*Filing of Return:* On or before the 20<sup>th</sup> day of each month, Direct Payment Permit holders are required to file a return, Form ST-6, furnished by the Virginia Department of Taxation showing the cost price of tangible personal property arising from all taxable transactions during the preceding month. The tax must be paid when the return is filed.

The Department determines annually those Direct Payment Permit holders who should file on a quarterly basis. Quarterly returns must be filed on or before the 20<sup>th</sup> day of the month following the close of each quarterly period. Quarterly periods end March 31, June 30, September 30 and December 31.

## **Tax Rate**

The tax rate is 5 percent (4 percent state tax and 1 percent local tax). Beginning July 1, 1998, nonprescription drugs and proprietary medicines were exempted from state sales and use tax. Beginning January 1, 2000, the Food Tax Reduction Program reduced the state sales and use tax rate on food purchased for human consumption from 3.5% to 3%. This rate reduction, however, does not affect the local tax rate on such food products.

## **Penalties and Interest**

Out-of-state and Direct Payment Permit holders are required to file returns whether tax is due or not for the particular time period. Consumers are required to file a return and report the tax only at the time a use tax liability accrues on a taxable transaction. When any dealer fails to file or pay the full amount of tax when due, a penalty of 6 percent is added to the tax for each month or any part of a month that the return is not filed or the tax is not paid. The maximum penalty is 30 percent; the minimum penalty is \$10. Interest at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, will be added to the tax on late returns. Out-of-state dealers will not be allowed the variable dealer's discount on any returns filed or paid after the due date. The U.S. postmark date on the envelope is used as the basis for imposing penalty and interest.

## **Disposition**

Revenue is deposited to the state's general fund. Two-sevenths of the 4 percent state tax is returned to the localities of Virginia for education. The amount of state tax each locality receives is based on the locality's school-age population. The Commonwealth Transportation Board allocates one-seventh of the state tax to the Virginia Transportation Trust Fund for use. The balance of the state tax remains in the general fund. The 1 percent local tax is distributed to the localities for general operating purposes.

**Register Online** - New Businesses can register for Use Tax online at [www.tax.virginia.gov/iReg](http://www.tax.virginia.gov/iReg)

**File Online** - Businesses can file online at [www.tax.virginia.gov/iFile](http://www.tax.virginia.gov/iFile)

**Pay Online** - Businesses can pay online at [www.tax.virginia.gov/iFile](http://www.tax.virginia.gov/iFile)

**Download Forms Online:**

- R-1 - Business Registration Application
- ST-6 - Direct Payment Permit Sales and Use Tax Return
- ST-7 - Virginia Consumer's Use Tax Return for Businesses
- ST-8 - Out-of-State Dealer's Use Tax Return
  
- ST-10 through ST-20A - Exemption Certificates (see forms used for Retail Sales Tax in section VIII.)

**For Assistance Contact:**

Virginia Department of Taxation  
P.O. Box 1115  
Richmond, VA 23218-1115  
804-367-8037

Download at: [www.tax.virginia.gov](http://www.tax.virginia.gov)  
Fax: 804-236-2779  
Telephone: 804-236-2760, 804-236-2761, or 804-236-2762  
Virginia Department of Taxation  
Forms Request Unit  
P.O. Box 1317  
Richmond, VA 23218-1317

## **Consumer's Use Tax**

Both individuals and businesses are required to pay consumer use tax if their total purchases were more than \$100 in merchandise during the taxable year from out-of-state mail order companies, telephone or television shopping services, etc., and the business did not add the Virginia sales and use tax to the bill. Consumer's use tax may also be owed if an item was purchased tax-free outside Virginia and used in Virginia. Sales or use tax does not apply to magazine or newspaper subscriptions.

### **Individuals**

Individuals who owe the consumer's use tax because they were not charged the sales tax on a purchase of tangible personal property must file and pay the consumer's use tax.

*Filing of Returns:* Individuals may elect to have the consumer's use tax deducted from their overpayment on their Individual Income Tax return or they can pay the tax on their resident (Form 760) or part-year resident (Form 760PY) income tax return. Individuals, who elect to file a separate form, must file Form CU-7, Virginia Consumer's Use Tax Return for Individuals, no later than May 1. The tax must be paid when the return is filed.

### **Businesses**

Businesses are required to file a consumer's use tax return to report the cost price of tangible personal property arising from all taxable transactions on which the Virginia sales or use tax was not collected by the seller.

*Filing of Returns:* Businesses are required to file Form ST-7 or Form ST-9 showing the cost price arising from all taxable transactions during the preceding month on or before the 20<sup>th</sup> of the month. The tax must be paid when the return is filed. File the returns with the Virginia Department of Taxation, P.O. Box 26626, Richmond, VA 23261-6626. Checks should be made payable to Virginia Department of Taxation.

### **Tax Rate**

The tax rate is 5 percent (4 percent state tax and 1 percent local tax). Beginning July 1, 1998, nonprescription drugs and proprietary medicines were exempted from state sales and use tax. Beginning January 1, 2000, the Food Tax Reduction Program reduced the state sales and use tax rate on food purchased for human consumption from 3.5% to 3%. This rate reduction, however, does not affect the local tax rate on such food products.

### **Penalties and Interest**

Out-of-state and Direct Payment Permit holders are required to file returns whether tax is due or not for the particular time period. Consumers are required to file a return and report the tax only at the time a use tax liability accrues on a taxable transaction. When any dealer fails to file or pay the full amount of tax when due, a penalty of 6 percent is added to the tax for each month or any part of a month that the return is not filed or the tax is not paid. The maximum penalty is 30 percent; the minimum penalty is \$10. Interest at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, will be added to the tax on late returns. Out-of-state dealers will not be allowed the variable dealer's discount on any returns filed or paid after the due date. The U.S. postmark date on the envelope is used as the basis for imposing penalty and interest.

**Disposition**

Revenue is deposited to the state's general fund. Two-sevenths of the 4 percent state tax is returned to the localities of Virginia for education. The amount of state tax each locality receives is based on the locality's school-age population. The Commonwealth Transportation Board allocates one-seventh of the state tax to the Virginia Transportation Trust Fund for use. The balance of the state tax remains in the general fund. The 1 percent local tax is distributed to the localities for general operating purposes.

**Download Forms Online at [www.tax.virginia.gov](http://www.tax.virginia.gov)**

- CU-7                    - Virginia Consumer's Use Tax Return for Individuals
- ST-7                    - Virginia Consumer's Use Tax Return for Businesses
- ST-9                    - Retail Sales and Use Tax Return
- ST-10                  - Exemption Certificates (see forms used for Retail Sales Tax in Section VIII.)

**For Assistance Contact:**

Virginia Department of Taxation  
P.O. Box 1115  
Richmond, VA 23218-1115  
804-367-8037

**For Forms:**

Download at: [www.tax.virginia.gov](http://www.tax.virginia.gov)  
Fax: 804-236-2779  
Telephone: 804-236-2760, 804-236-2761, or 804-236-2762  
Virginia Department of Taxation  
Forms Request Unit  
P.O. Box 1317  
Richmond, VA 23218-1317

## **Vending Machine Sales Tax**

### **General Liability**

A tax is imposed on dealers placing vending machines through which they sell tangible personal property. The tax is computed on the cost price (or manufactured cost) of tangible personal property sold through the vending machines. This tax does not apply to non-vending machine dealers such as service station operators who use vending machines at their businesses to sell merchandise. These dealers are subject to the retail sales tax provisions explained in III V. - Sales and Use Taxes.

### **Filing Procedure**

*Registration:* Every individual, partnership, corporation, etc. desiring to engage in the business of placing vending machines through which they sell tangible personal property must file a Business Registration Application, Form R-1, with the Virginia Department of Taxation, P.O. Box 1114, Richmond, VA 23218-1114 or register online at [www.tax.virginia.gov/iReg](http://www.tax.virginia.gov/iReg). No application fee is required. A separate application must be filed for each county and city in which vending machines are placed.

*Monthly Returns:* On or before the 20<sup>th</sup> of each month, dealers are required to file on a form furnished by the Virginia Department of Taxation showing the cost price or manufactured cost of tangible personal property sold through vending machines during the preceding month. The dealer must pay the amount of tax due at the time of filing the return.

*Quarterly Returns:* The Department determines annually those dealers who should file and pay on a quarterly basis. Quarterly returns must be filed on or before the 20<sup>th</sup> of the month following the close of each quarterly period. Quarterly periods end March 31, June 30, Sept. 30 and Dec. 31.

*Where to File:* Returns are filed with the Virginia Department of Taxation, P.O. Box 26626, Richmond, VA 23261-6626. Checks are made payable to the Virginia Department of Taxation.

### **Tax Rates**

The tax rate is 6 percent (5 percent state and 1 percent local tax) of wholesale purchases. Dealers may also request authorization from the Tax Commissioner to report tax based upon 5 percent of gross sales.

### **Penalties and Interest**

A return must be filed for each required period even if there is no tax due. If a dealer fails to file or pay the full amount of the tax when due, a penalty of 6 percent of the tax due will be added to the tax for each month or any part of a month that the return is not filed or the tax is not paid. The maximum penalty is 30 percent; the minimum penalty is \$10.

Interest at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, will be added to the tax on late returns. The variable dealer's discount allowed on timely-filed returns is disallowed on any return filed or paid after the due date. The U.S. postmark date on the envelope is used as the basis for imposing penalty and interest.

### **Disposition**

Revenue is deposited to the state's general fund. Two-ninths of the 5 percent state tax is returned to the localities of Virginia for education. The amount of state tax each locality receives is based upon the locality's school-age population. The Commonwealth Transportation Board allocates one-ninth of the state tax to the Virginia Transportation Trust Fund for use. The balance of the state tax remains in the general fund. The one-percent local tax is distributed to the localities for general operating purposes.

**Register Online** - New Businesses can register for Vending Machine Sales Tax online at [www.tax.virginia.gov/iReg](http://www.tax.virginia.gov/iReg)

**Download Forms Online at [www.tax.virginia.gov](http://www.tax.virginia.gov)**

R-1 - Business Registration Application  
VM-2 - Vending Machine Dealer's Return  
ST-4 - Certificate of Registration  
ST-10 - Exemption Certificates (see forms used for Retail Sales Tax in Section VIII. Sales and  
through Use Taxes)  
ST-20A

**For Assistance Contact:**

Virginia Department of Taxation  
P.O. Box 1115  
Richmond, VA 23218-1115  
804--367-8037

**For Forms:**

Download at: [www.tax.virginia.gov](http://www.tax.virginia.gov)  
Fax: 804-236-2779  
Telephone: 804- 236-2760, 804-236-2761, or 804- 236-2762  
Virginia Department of Taxation  
Forms Request Unit  
P.O. Box 1317  
Richmond, VA 23218-1317

## **Watercraft Sales and Use Tax**

### **General Liability**

A sales tax is imposed upon the purchaser of any watercraft sold in Virginia and upon the user of any watercraft not sold in Virginia, if required to be titled with the Virginia Department of Game and Inland Fisheries for use in Virginia.

In general, for purposes of this tax, a watercraft means any vessel propelled by machinery whether or not the machinery is the principal source of propulsion or any sail-powered boat in excess of 18 feet in length measured along the centerline. A watercraft, however, would not include a seaplane on the water or a watercraft, which has a valid marine titling document issued by the United States Coast Guard. Any motor purchased separately to be used to power a watercraft is subject to watercraft tax.

All transactions subject to the Virginia Watercraft Sales and Use Tax are exempt from the Virginia Retail Sales and Use Tax; however, all watercraft not subject to the Virginia Watercraft Sales and Use Tax are subject to the Virginia Retail Sales and Use Tax.

Dealers are exempt from tax on purchases of watercraft for resale and also on purchases of watercraft for lease, charter or other use for compensation, but are subject to tax on the gross receipts from lease, charter, or other use.

### **Filing Procedure**

*Dealer Registration:* In order to be exempt from tax on purchases for resale, dealers must file a Business Registration Application, Form R-1, with the Virginia Department of Taxation, P.O. Box 1114, Richmond, VA 23218-1114 or register online at [www.tax.virginia.gov/iReg](http://www.tax.virginia.gov/iReg). No application fee is required. By agreement with the Virginia Department of Taxation, dealers may collect and remit watercraft tax on behalf of their customers.

*Dealer Returns:* On or before the 20<sup>th</sup> of each month, dealers are required to file on forms furnished by the Virginia Department of Taxation returns showing gross receipts from lease, charter and other compensatory use and also gross receipts from sales if authorized by agreement with the Virginia Department of Taxation to collect and remit watercraft tax on behalf of customers.

*Individual Purchasers:* Individual purchasers must pay the Watercraft Sales and Use Tax before the watercraft is titled with the Department of Game and Inland Fisheries. All watercraft are required to be titled prior to their operation in Virginia. The tax may be paid at any of the offices of the Virginia Department of Taxation or the Virginia Department of Game and Inland Fisheries. If the watercraft is purchased from a dealer authorized by agreement to collect the tax, it may be paid to the dealer.

### **Tax Rate**

The tax rate is 2 percent of the purchase price, or of the current market value if purchased six months or more before it is required to be titled for use in Virginia. The maximum watercraft tax for any transaction is \$2,000.

### **Penalties and Interest**

If the tax is not paid when due, a penalty of 6 percent of the tax due will be added for each month or part of a month that the tax is not paid, not to exceed 30 percent.

Interest at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, will be added to the tax if not paid by the due date.

**Register Online**     -   New Businesses can register for Watercraft Sales and Use Tax online at [www.tax.virginia.gov/iReg](http://www.tax.virginia.gov/iReg)

**Download Forms Online:**

R-1	-	Business Registration Application
WCT-2	-	Virginia Watercraft Sales and Use Tax Return
-2A	-	Worksheet and Instructions from WCT-2
WCT-3A	-	Individual Watercraft Tax Worksheet
Forms WCT-3	-	Virginia Watercraft Sales Tax Receipt (not available online)

**For Assistance Contact:**

Virginia Department of Taxation  
P.O. Box 1115  
Richmond, VA 23218-1115  
804-367-8037

**For Forms:**

Download at: [www.tax.virginia.gov](http://www.tax.virginia.gov)  
Fax: 804- 236-2779  
Telephone: 804- 236-2760 or 804-236-2761 or 804- 236-2762  
Virginia Department of Taxation  
Forms Request Unit  
P.O. Box 1317  
Richmond, VA 23218-1317



## **IX. MISCELLANEOUS TAXES**

### **Bank Franchise Tax**

#### **General Liability**

The state of Virginia levies a franchise tax on the net capital of banks and trust companies.

#### **Filing Procedure**

*Returns:* Each bank or trust company must file a return in duplicate on or before March 1 of each tax year with the Commissioner of the Revenue for the county or city in which the principal office of the bank or trust company is located. In addition to these two copies, the bank must transmit one copy each of Schedules C and H to the assessing officer of every other city, incorporated town or county where any branch of such bank or trust company is located.

*Assessment and Payment of the Tax:* The Commissioner of the Revenue will certify one copy of the return and send it to the Virginia Department of Taxation. The Virginia Department of Taxation will send to the bank or trust company a notice of assessment on or about May 1. The taxes assessed against the bank or trust company for the tax year must be paid directly to the Virginia Department of Taxation on or before June 1 of each year.

Any bank or trust company paying franchise taxes assessed by a city, incorporated town or county is entitled to a credit upon the state taxes assessed against the bank or trust companies (see Tax Rate and Local Credit).

*Official Report of Condition and Income:* Each bank franchise tax return must be accompanied by a copy of the official report of condition and income of the bank or trust company that was filed with the comptroller of the currency or with the State Corporation Commission as of the close of business December 31 of the preceding year.

#### **Tax Rate and Local Credit**

*State Tax:* \$1 per \$100 of taxable value on January 1 of each year except for new banks.

*New Banks:* The bank franchise tax for new banks will be prorated as follows:

1. first transacting business before March 31, \$1.00 on each \$100 of net capital, no proration.
2. first transacting business between April 1 and June 30, 75 cents on each \$100 of net capital.
3. first transacting business between July 1 and September 30, 50 cents on each \$100 of net capital.
4. first transacting business between October 1 and December 31, 25 cents on each \$100 of net capital.

*Local credit:* A credit is allowed for amounts paid to cities, towns or counties for taxes assessed upon a bank's net capital.

Any city, county, or town may impose a tax not to exceed 80 percent of the state rate of taxation.

#### **Penalty and Interest**

Any bank that fails to comply with any provisions in this chapter will be subject to a penalty of 5 percent of the tax due. Interest at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, will be added to the tax if not paid by the due date.

#### **Disposition**

The state's share of the revenue is deposited to the general fund.